

1220.05 Payroll Deductions

Issued January 1, 1994

SUBJECT: Payroll Deductions.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide guidelines for State employee payroll deductions.

CONTACT AGENCY: Department of Management and Budget (DMB) - Office of Financial Management (OFM).

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SUMMARY: Management and Budget has authority to issue directives for the approval or disapproval of any proposal for payroll deductions or withholding, other than those required by law. DMB obtains approval from the Department of Civil Service for deductions.

This procedure applies to any program specifically named as a condition of employment prior to authorization of new, or changes to, current payroll deductions including any program specifically named as a condition of employment in an approved collective bargaining agreement for exclusively represented employees, or in an approved coordinated compensation plan for non-exclusively represented employees, except for those required by law or programs.

APPLICABLE FORMS: None

PROCEDURES:

- All current insurance deductions that are paid 100% by the employee or non-contributory by the state will be suspended when enrollment falls below 100% of the total eligible classified state employees enrolled in all competing plans offering essentially the same benefit. Requests for optional payroll deduction programs and forms used to record them must be submitted in writing to the Director of DMB for approval.
 - The vendor is required to pay all administrative costs incurred for third party deductions.
- Payroll deductions mandated by law are comprised of federal, State, and city income taxes, social security (FICA) taxes, and the earned income credit federal income tax liability adjustment. Payroll deductions mandated by court order include writs of garnishments or court ordered wage assignments. Additions or changes to deductions mandated by law or court order or by a governmental body are instituted by the DMB.
- Deductions made for Department of Civil Service sanctioned programs include premiums for insurance policies offered to State employees, health maintenance organization fees, employee organization representation fees and dues, and deferred compensation plans.
 - To be eligible for payroll deduction, employee insurance policies must be approved by the Civil Service Commission.
 - New group deductions or group increases or decreases of employee organization dues' require initial application to the Office of the State Employer (OSE).

- Payroll deductions for other programs include credit union transactions, parking fees, federally sponsored programs, charitable contributions, employee services and/or supplies classified as maintenance deductions, and wage assignments or garnishments.

- Credit Unions

- The privilege of credit union payroll deduction is limited to State or federally chartered credit unions.
- Each payroll deduction application must include the name and address of the credit union; a certification of the total number of State employees eligible for membership in the geographic area described in its charter; and the names, social security numbers and departments of State employees requesting membership.
- If a credit union requests enrollment in the payroll deduction process and operates in a geographic area (30 mile radius) already served by a participating credit union, it must maintain at least 100 State employee members who have payroll deductions. If it is outside the 30 mile radius, it must maintain a membership of at least 50 State employees who have payroll deductions.
- Continuing participation is determined by yearly review of State employee payroll deduction use.

Factors considered in review process include:

- The number of State employees in the area served by the credit union.
- Current State employee membership.
- Percent of use of the payroll deduction process by enrolled members.
- Number of participating credit unions serving a geographic area.

- Parking Fees

Section 227 of PA 431 provides for the establishment and collection of parking fees by the DMB. Additions or changes to deductions are instituted by the DMB.

- Federally Sponsored Programs

Payroll deductions may be made for federally sponsored programs such as the savings bond program. Additions or changes to deductions are instituted by the DMB.

- Charitable Contributions

To be eligible for payroll deduction, charitable contributions must conform to the State Employees Combined Campaign (SECC) Policy and must not support advocacy groups or political activities. The State should not act as or have the appearance of sanctioning any form of political activity by becoming an intermediary or agent by virtue of payroll deduction.

- Those charitable organizations authorized as of April 21, 1987 to solicit and receive charitable contributions from State employees through payroll deductions shall be eligible to participate in the annual unified charitable campaign provided:

- The organization shall be registered as a non-profit agency with the Internal Revenue Service and determined by them to have tax free contribution eligibility under Section 501c(3) of the Internal Revenue Code. The organization shall provide current documentation of its IRS status with its application to the SECC Steering Committee.

- The organization shall be licensed by the Attorney General of the State of Michigan as a charitable organization or be exempt from licensure to solicit charitable contributions pursuant to the Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq. When submitting its application to the SECC Steering Committee, the organization shall provide:
 - A copy of its current license from the Attorney General's Office, or
 - A copy of its most recent determination letter from the Attorney General's Office indicating the organization is exempt from licensure, together with a letter from the organization certifying that status has not changed since letter was issued.
- The organization shall be audited and shall provide information on its fiscal status.
 - The organization shall be audited annually as required by the Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq. Those organizations that are not required to file an annual audit report under the Act are required to file an annual audit report by an independent CPA at least every third year for participation in the SECC.
 - When submitting its application to the SECC Steering Committee, the organization must file the following:
 - A copy of its most recent federal IRS Form 990 on record with the IRS.
 - A copy of its most recently completed annual audit report, a reference to a specific previous application containing a previously filed annual audit report, or a statement that it will provide a copy of an annual audit by its third year application.
- The organization and each of its member agencies shall have anti-discrimination policies with respect to persons served and employed consistent with State and federal law which have been voted on and approved by the organization's or member agency's respective board of directors or governing body. The organization must provide a copy of its approved policy and each policy approved by a member agency to the SECC Steering Committee. An application submitted in the year following a change in the anti-discrimination policy by the organization or any of its member agencies must include a copy of each policy which was altered.
- The organization shall carry out a bona fide program of charitable services for health and/or welfare. Eligibility for participation in the State Employees Combined Campaign shall be limited to voluntary, charitable, health and welfare agencies that provide or support direct health and welfare services to individuals or their families and which have a direct and substantial benefit to residents of or charities in the State of Michigan, except those agencies that do a preponderance of their services overseas. Such services shall directly benefit human beings, whether children, youth, adults, the aged, the ill and infirm, or the

mentally or physically handicapped. Such services shall consist of care, research or education in the fields of human health or social adjustment and rehabilitation; relief of victims of natural disasters and other emergencies; or assistance to those who are impoverished and therefore in need of food, shelter, clothing, education, and basic human welfare services.

- All previously approved organizations requesting inclusion in the campaign shall submit their letter of intent by March 1 of the campaign year.
- Each approved organization and member agency shall report total proceeds, and total administrative, management, general, and fundraising expenditures for the prior fiscal year to the Steering Committee. This information shall be provided no later than May 15 of the campaign year, in a manner determined by the Steering Committee.
- A completed application with any and all supporting documentation required herein for eligibility, or as required by Steering Committee policies as recorded in approved Steering Committee minutes must be received by the Steering Committee at its mailing address

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by May 15. In the absence of any required documentation, the organization shall not be eligible for inclusion in the campaign. The Steering Committee is not required to notify applicants of the absence of such required documentation. The burden for ascertaining whether documentation has been received by SECC rests with the organization seeking admission.

- Those umbrella charitable organizations which satisfy the following criteria shall be eligible to participate in the annual unified charitable campaign:
 - The umbrella organization and each of its member agencies shall be registered as non-profit agencies with the Internal Revenue Service and determined by them to have tax free contribution eligibility under Section 501c(3) of the Internal Revenue Code. The umbrella organization shall provide current documentation of its IRS status and the IRS status of each of its member agencies with its application to SECC Steering Committee.
 - The umbrella organization shall be licensed by the Attorney General of the State of Michigan as a charitable organization to solicit charitable contributions pursuant to the Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq. The umbrella organization shall provide documentation of its licensure by providing a copy of its current license from Attorney General's office with its application to SECC Steering Committee.
 - The umbrella organization shall be chartered to serve and campaign on behalf of a minimum of ten autonomous charitable agencies registered as non-profit health and welfare agencies with the Internal Revenue

Service and determined by them to have tax free contribution eligibility under Section 501c(3) of the Internal Revenue Code. Umbrella organizations which have not been in existence for at least one year or which attempt to qualify as an umbrella organization under this policy by representing their affiliates or chapters as member agencies are not eligible.

- All of the umbrella organization's member charitable agencies shall be licensed by the Attorney General of the State of Michigan as charitable organizations or be exempt from licensure to solicit charitable contributions pursuant to the Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq. When submitting its application to the SECC Steering Committee, the umbrella organization shall provide:
 - A copy of each member agency's license from the Attorney General's Office, or
 - A copy of each member agency's most recent determination letter from the Attorney General's Office indicating it is exempt from licensure, together with a letter from the organization certifying that its status has not changed since the determination letter was issued. If the application does not contain the required documentation and/or indicates that member agency is neither licensed nor exempt from licensure, the umbrella organization is not eligible for inclusion in the campaign.
- The umbrella organization shall be audited and shall provide information on its fiscal status.
 - The umbrella organization shall be audited annually as required by the Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq. Those umbrella organizations that are not required to file an annual audit report under the Act are required to file an audit report by an independent CPA at least every third year for participation in the SECC.
 - When submitting its application to the SECC Steering Committee, the umbrella organization must file the following:
 - A copy of its most recently completed annual audit report, a reference to a specific previous application containing a previously filed annual audit report, or a statement that it will provide a copy of an audit by its third year application.
 - A copy of its most recent federal IRS Form 990 on record with the IRS.
- The umbrella organization and each of its member agencies shall have anti-discrimination policies with respect to persons served and employed consistent with State and federal law which have been voted on and approved by the umbrella organization's or member agency's respective board of directors or governing body. Umbrella organizations must provide a copy of their approved policy and each policy approved by a member agency to the SECC Steering Committee. An application

submitted in year following a change in the anti-discrimination policy by the umbrella organization or any of its member agencies must include a copy of each policy which was altered.

- The organization shall carry out a bona fide program of charitable services for health and/or welfare. Eligibility for participation in the State Employees Combined Campaign shall be limited to voluntary, charitable, health and welfare agencies that provide or support direct health and welfare services to individuals or their families and which have a direct and substantial benefit to residents of or charities in the State of Michigan, except those agencies that do a preponderance of their services overseas. Such services shall directly benefit human beings, whether children, youth, adults, the aged, the ill and infirm, or the mentally or physically handicapped. Such services shall consist of care, research or education in the fields of human health or social adjustment and rehabilitation; relief of victims of natural disasters and other emergencies; or assistance to those who are impoverished and therefore in need of food, shelter, clothing, education, and basic human welfare services.
- Umbrella organizations requesting inclusion in the campaign shall submit their letter of intent to the Steering Committee by March 1 of the campaign year.
- Each approved umbrella organization and member agency shall report total proceeds, and total administrative, management, general, and fundraising expenditures for the prior fiscal year to the Steering Committee. This information shall be provided no later than May 15 of the campaign year, in a manner determined by the Steering Committee.
- A completed application with any and all supporting documentation required herein for eligibility, or as required by Steering Committee policies as recorded in approved Steering Committee minutes must be received by the Steering Committee at its mailing address;

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by May 15. In the absence of any required documentation, the organization shall not be eligible for inclusion in the campaign. The Steering Committee is not required to notify applicants of the absence of such required documentation. The burden for ascertaining whether documentation has been received by SECC rests with the organization seeking admission.

- A 5 member Steering Committee shall serve to provide direction for implementation of SECC policy and to determine which umbrella organizations meet eligibility criteria.

--- Membership

- The Steering Committee chairperson shall be a voting member from the DMB. Additional Steering Committee membership shall include one voting representative from each of the following:

- The Department of Civil Service.
- The Office of the State Employer.
- A labor organization.
- The most recent past campaign coordinator.

---- Ex-officio (non-voting) membership of the Steering Committee shall include one designee from each of the approved organizations which formally designates a member, in writing, to the Steering Committee. The designation shall be renewed annually as part of the application for participation in the campaign.

--- Responsibilities

- The Steering Committee shall provide an application form for organizations to provide information regarding program objectives, administrative structure, financial responsibility, program services, promotional materials and any other information determined necessary by the Steering Committee.
- The Steering Committee shall determine appropriate promotional materials and issue a list of approved organizations by June 1 for the campaign year.
- The Steering Committee shall approve direct State (i.e., staff, printing, mailing of promotional materials as well as data processing support services) campaign costs and proportionate distribution of those costs among the approved charitable organizations on a cost reimbursement basis.
- A request to solicit that requires expenditure of State funds to expand computer or systems capability will be denied unless the State desires to expand its computer or systems capability and the organizations agree to reimburse the State for such incurred expense.
- In the event an approved charitable organization fails to adhere to eligibility requirements or to policies and procedures of the SECC, solicitation and payroll deduction privileges shall be withdrawn by the Steering Committee at any time after written notice to the approved organization and opportunity for consultation.
- Organizational structure and responsibility for local campaign activities shall be determined by the Steering Committee as outlined in Steering Committee minutes and/or approved procedures.
- The Steering Committee shall provide an annual summary of activities and campaign results to the State Administrative Board.

- The unified charitable campaign solicitation period shall be limited to the months of September, October, and November of each year. At the discretion of the Steering Committee, a limited pacesetter campaign may be conducted prior to September.
- The format for the payroll deduction pledge card shall be prepared by the Steering Committee and approved by the Departments of Civil Service and Management and Budget.
- Pledge cards shall provide options to allow employees to make voluntary contributions to any approved charitable organization.
- Approved organizations shall provide a means of specific designation for contributions to specific member agencies within the organizations, unless they request and are granted a written exception by the Steering Committee.
- The payroll withholding pledge period will be for one year starting with first pay day in January and ending with last pay day in December. The employee may request specific deduction termination date. If no date is indicated, the deduction will continue until terminated at either the employee's request or at termination of employment.
- Work site solicitation will be allowed only during the official campaign period each year, except in the case of an emergency or disaster appeal for which specific prior approval has been granted by the Governor.
- Payroll deductions shall be discontinued automatically upon employee death, retirement or separation from State service.
- Voluntary payroll deduction contributions for employees returning from leave or layoff shall be reinstated automatically. Employees transferring to a new position shall have their payroll deduction contributions transferred automatically.
- Employee may revoke voluntary contribution at any time by written request to personnel office. Cancellation of deduction will be effective the pay period following receipt of the request by the personnel office.
- All the above conditions shall be subject to written agreement between organizations and the Steering Committee and shall bind all of an organization's member charitable agencies.
- The Steering Committee will notify all applicants of acceptance or rejection of admittance to the current campaign prior to July 1. There is no appeal process. Applicants may reapply in subsequent years.
- The Steering Committee shall notify DMB, Property Management Division, of any reported on-site solicitations which may violate the SECC policy.

-- The Department of Civil Service and DMB have certain administrative responsibilities for payroll, personnel, and accounting systems, including but not limited to the following:

--- Processing payroll inserts.

--- Reviewing the format of the SECC pledge card for conformance with the payroll personnel system procedures as they relate to the SECC campaign.

--- Including announcements on the message area of the State payroll checks.

--- Processing reimbursements to local campaign operating agencies (LCOAS).

-- An organization is not permitted in State buildings or on State grounds for solicitation unless written authorization is obtained from the DMB, Property Management Division. Any organization approved must at a minimum meet the following conditions:

--- The organization shall be registered as a non-profit agency with the Internal Revenue Service and determined by them to have tax free contribution eligibility under Section 501c(3) of the Internal Revenue Code.

--- The organization shall be licensed by State of Michigan as a charitable organization to solicit charitable contributions pursuant to Charitable Organizations and Solicitations Act, 1975 PA 169; MSA 3.240(1) et seq; MCL 400.271 et seq.

--- The organization shall agree to limit their off work site solicitation for all sites to one day.

--- The organization shall agree to solicit only those employees located in its geographical service area.

--- The organization shall agree to limit their solicitation to the usual (ground level) public entrances and immediate main floor lobby areas of State buildings.

--- The organization shall agree not to interfere with public safety or unnecessarily disrupt or hinder the operation and official use of the buildings or State grounds.

--- Umbrella organizations and member agencies approved for work site solicitation and payroll deduction shall not be considered for off work site solicitation under this regulation.

--- The DMB, Property Management Division shall be responsible for implementing the off work site solicitation policy.

- Maintenance Deductions

Payroll deductions may be made for reimbursing the State for use of State-owned living quarters or for State-supplied services in amounts determined by the State Personnel Director.

- Additional policies and procedures pertaining to payroll deductions can be found in:
 - Procedure 1220.02.
 - Personnel/Payroll Information System for Michigan (PPRISM) Manual 3.3.6, Miscellaneous Deductions.
 - PPRISM Manual 9.10 through 9.10.30, Deduction Codes.

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